

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 SP-02 ICA-11 AID-05 EB-08 NSC-05
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C O N F I D E N T I A L SANTIAGO 4753

E.O. 11652: GDS
TAGS: ECON, ELAB, PINT, CI
SUBJECT: JANUARY/MARCH UNEMPLOYMENT FIGURES SUPPRESSED BY GOC

REF: (A) SANTIAGO 4718 (B) SANTIAGO 3069 (C) SANTIAGO 2997

1. ACCORDING TO THE UNIVERSITY OF CHILE'S DEPARTMENT OF ECONOMICS, THE PUBLICATION OF ITS QUARTERLY UNEMPLOYMENT SURVEY HAS BEEN PROHIBITED BY THE CENTRAL BANK. ECONOMICS DEPARTMENT PREPARES SURVEY UNDER CONTRACT WITH CENTRAL BANK. UNDER CONTRACTUAL ARRANGEMENTS, CENTRAL BANK MUST APPROVE SURVEY RESULTS PRIOR TO PUBLICATION. QUARTERLY FIGURES FOR JANUARY/MARCH SHOWED UNEMPLOYMENT (IN GREATER SANTIAGO) INCREASING TO 14 PERCENT FROM 13.2 PERCENT IN DECEMBER 1977. UPON RECEIPT OF MARCH REPORT, CENTRAL BANK DID NOT APPROVE SURVEY.

2. REPORTEDLY, CURRENT PLAN IS TO WITHHOLD MARCH FIGURES PENDING COMPLETION OF APRIL/JUNE SURVEY. CENTRAL BANK BELIEVES UNEMPLOYMENT FIGURE WILL DROP. IF JUNE FIGURE MORE AUSPICIOUS, MARCH SURVEY WILL BE RELEASED BELATEDLY
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BY CENTRAL BANK, ACCORDING TO THE UNIVERSITY OF CHILE.

3. ACCORDING TO TERMS OF THE CONTRACT, UNIVERSITY OF CHILE MAY ITSELF RELEASE UNEMPLOYMENT FIGURES THREE MONTHS FROM DATE OF SURVEY WITH OR WITHOUT CENTRAL BANK APPROVAL. HOWEVER, DIRECTOR OF ECONOMICS DEPARTMENT (ANDRES SANFUENTES) TOLD EMBOFF THAT THE UNIVERSITY IS UNWILLING TO

RISK ITS CONTRACT BY RELEASING FIGURES PREVIOUSLY ORDERED WITHHELD BY THE GOC. NEWSMAGAZINE "ERCILLA" HAS NOTED THAT THE FIRST QUARTER UNEMPLOYMENT FIGURES HAVE NOT BEEN PUBLISHED.

4. NATIONAL INSTITUTE OF STATISTICS (INE) ALSO PREPARES AND PUBLISHES A QUARTERLY UNEMPLOYMENT FIGURES HAVE NOT BEEN PUBLISHED.

4. NATIONAL INSTITUTE OF STATISTICS (INE) ALSO PREPARES AND PUBLISHES A QUARTERLY UNEMPLOYMENT SURVEY. ALTHOUGH INE FIGURE FOR MARCH IS REPORTEDLY SLIGHTLY DIFFERENT UPWARD UNEMPLOYMENT TREND IS THE SAME AS THE UNIVERSITY OF CHILE SURVEY. INE SURVEY WAS PRINTED AND SUBSEQUENTLY WITHDRAWN QUOTE FOR TECHNICAL REASONS UNQUOTE.

5. COMMENT: DEBATE NOW GOING ON WITHIN GOC ON USE OF \$1.2 BILLION IN FOREIGN EXCHANGE RESERVES (REF A). CENTRAL BANK PRESIDENT BARDON HAS INDICATED HIS UNWILLINGNESS TO USE RISING INTERNATIONAL RESERVES FOR INCREASED FISCAL EXPENDITURES. BARDON BELIEVES SUCH EXPENDITURES WOULD REACT ADVERSELY ON INFLATION RATE. OTHERS BOTH INSIDE AND OUTSIDE OF GOVERNMENT SEE NO JUSTIFICATION FOR HOLDING EVER LARGER RESERVES WHEN UNEMPLOYMENT IS KNOWN TO BE AT LEAST 13.2 PERCENT. GOC EVIDENTLY FEARS PARTISANS OF INCREASED FISCAL EXPENDITURES WOULD GAIN UPPER HAND IF MARCH UNEMPLOYMENT FIGURE WAS PUBLISHED. CONFIDENTIAL

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IN ADDITION, SUCH INFORMATION WOULD UNDERSCORE CONTINUING SOCIAL COST OF GOC ECONOMIC POLICY.

6. UNEMPLOYMENT HAS STOOD AT ABOUT 13 PERCENT SINCE DECEMBER 1976. AN INCREASE IN THE UNEMPLOYMENT RATE TO 14 PERCENT REPRESENTS AN ADDITIONAL 11,586 PERSONS FOR A TOTAL UNEMPLOYMENT FIGURE OF 192,486 (GREATER SANTIAGO ONLY). THIS FIGURE EXCLUDES PERSONS EMPLOYED UNDER A GOVERNMENT PUBLIC WORKS PROGRAM (PEM) AT 37 PERCENT OF THE MINIMUM WAGE (\$25.44 PER MONTH. MANUAL WORKERS IN SANTIAGO, VALPARAISO AND COQUIMBO PROVINCES ALSO RECEIVE PL 480 TITLE II FOOD FOR WORK SUPPLEMENT). PEM REDUCES THE OFFICIAL UNEMPLOYMENT RATE BY 2.8 PERCENT. WHEN PEM WORKERS ARE ADDED TO THE OFFICIAL STATISTICS ACTUAL OR REAL UNEMPLOYMENT RATE BECOMES 16.8 PERCENT (230,983 PERSONS). SANFUENTES NOTES, HOWEVER, THAT 5.7 PERCENT OF PERSONS COUNTED AS EMPLOYED WORK LESS THAN 20 HOURS PER WEEK. ECONOMICS DEPARTMENT CONSIDERS THIS GROUP AS ONLY marginally EMPLOYED.

7. REF B REPORTED ON GOC PROPOSALS FOR ELIMINATING OBSTACLES TO INCREASING EMPLOYMENT. WERE IT BECOME

KNOWN THAT UNEMPLOYMENT JUMPED IN FIRST QUARTER OF 1978
GOC WOULD BE CONFRONTED WITH PRESSURES TO INCREASE PUBLIC
SPENDING. WHILE NOT PREPARED TO DO SO AT PRESENT, THIS MAY
BE ONLY THE ALTERNATIVE IF THE RATE DOES NOT SHOW APPRECIABLE
DROP IN JUNE. QUESTION NOW IS WHICH NEWS WILL BE WORST FOR GOC,
THE UNEMPLOYMENT FIGURES THEMSELVES, OR THE APPARENT INDICATION
THAT THE ECONOMIC TEAM IS SO INSECURE OF ITS SUCCESS AND
POLITICAL CONSTITUENCY THAT IT HAD TO SUPPRESS THE BAD NEWS.
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